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ABSTRACT

The 1974-75 annual report of the Ohio College Library Center (OCLC) provides statistics, tables, and narrative information about OCLC's operation, particularly its on-line cataloging services. A detailed financial statement is included. Members as of June 1975 are listed, as are the OCLC trustees. (LS)

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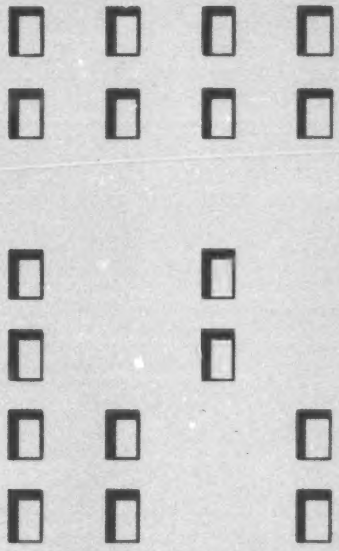
OHIO COLLEGE LIBRARY CENTER ANNUAL REPORT 1974/1975



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MEMBERS as of 30 June 1975

Akron Public Library
Antioch College Library
Ashland College Library
Athenaeum of Ohio
Baldwin-Wallace College
Battelle Memorial Institute
Bluffton College
Bowling Green State University
Burton Public Library
Case Western Reserve University
Cedarville College
Central State University
Cincinnati Bible Seminary
Cleveland Health Sciences Library
Cleveland Heights-University Heights Public Library
Cleveland-Marshall College of Law
Cleveland Public Library
Cleveland State University
College of Mount St. Joseph
College of Steubenville
College of Wooster
Columbus Technical Institute
Cuyahoga County Public Library
Dayton and Montgomery County Public Library
Definance College
Denison University
East Cleveland Public Library
Findlay College
Findlay-Hancock Public Library
Geauga County District Library
Greene County District Library
Hebrew Union College
Heidelberg College
Hiram College
Kent State University
Kenyon College
Lakewood Public Library
Lima Public Library
Lorain Public Library
Lutheran Theological Seminary
Malone College
Marietta College
Medical College of Ohio at Toledo
Methodist Theological School
Miami University
Mount Vernon Nazarene College
Muskingum College
Oberlin College
Ohio Dominican College
Ohio Northern University
Ohio State University
Ohio University
Ohio Wesleyan University
Otterbein College
Pontifical College of Josephinum
Rio Grande College
Riverside Methodist Hospital
Shaker Heights City School District
Shaker Heights Public Library
Sinclair Community College
Stark County District Library
State Library of Ohio
Toledo-Lucas County Public Library
United Theological Seminary
University of Akron
University of Cincinnati
University of Cincinnati Medical Library
University of Dayton
University of Toledo
University of Toledo Law Library
Upper Arlington Public Library
Walsh College
Wilmington College
Wittenberg University
Wright State University
Xavier University
Youngstown and Mahoning County Public Library
Youngstown State University

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TO: The Board of Trustees

The Ohio College Library Center has continued to increase availability of library resources to library users and to reduce the rate of rise of per-unit library costs. At the end of the year the on-line union catalog contained over 5.3 million location listings, and libraries continued to report increasing success in locating books to be requested on interlibrary loan. One significant development is the entrance into the interlibrary loan system of small libraries as lenders. For example, in 1971/72 Walsh College Library in North Canton, Ohio, which possesses some 42,000 volumes, lent one interlibrary loan; in 1972/73, Walsh lent 10 volumes; in 1973/74, 27; and in 1974/75, 108. The experience at Walsh appears to be typical of smaller libraries participating in the OCLC network, and from this experience it can be concluded that the rate of rise of interlibrary loan requests going to large libraries has been slowed because knowledge of the resources of smaller libraries is now available.

The OCLC system is making it possible for libraries participating in the network to reduce their rates of rise of per-unit costs, both by increasing economies of scale and by furnishing labor-saving mechanization, thereby increasing productivity of staff. Use of catalog records already in the system for catalog production enhances economy of scale; Table 1 shows that cataloging using existing records increased from 80.8% in 1973/74 to 84.7% in 1974/75, and Table 3 reveals that the number of records used for catalog production and the frequency with which records were used rose between twenty-three and thirty percent, a slight increase over 1973/74.

Participating libraries cataloged 2,555,055 books as compared with 1,194,287 in 1973/74, and the Center printed over 17,000,000 catalog cards. In June, libraries were cataloging at an annual rate exceeding 3.5 million books. At the end of the year the Center calculated that searches of the on-line catalog that were unrelated to cataloging were approximately 30,000 daily. The number of messages arriving at the Center during the last week in June averaged 140,672 during

	Total Copies of Books Cataloged		Chargeable First-Time Uses		Input Cataloging		Percent Cataloging Using Existing Records	
	1973/74	1974/75	1973/74	1974/75	1973/74	1974/75	1973/74	1974/75
Ohio College Library Center	587,481	806,594	348,457	409,925	107,734	98,012	76.4	80.7
AMIGOS Bibliographic Council	4,780	260,908	4,337	201,991	208	23,814	95.4	89.5
Cooperative College Library Center	48,700	38,429	20,237	14,618	1,217	216	94.3	98.5
Federal Library Committee	9,300	62,966	5,519	29,197	2,307	24,991	70.5	53.9
Five Associated University Libraries	117,068	160,343	81,943	109,946	24,199	34,354	77.2	76.2
Higher Education Coordinating Council of Metropolitan St. Louis		20,121		13,118		2,639		83.3
Illinois Research and Reference Center Libraries		85,143		46,779		4,716		90.8
Independent Organizations		24,289		17,567		444		97.5
New England Library Information Network	302,159	493,446	236,580	375,685	36,768	57,903	86.6	86.7
Pennsylvania Area Library Network	71,645	163,227	56,899	127,130	9,185	21,134	86.1	85.8
Pittsburgh Regional Library Network	53,154	91,316	25,003	56,410	3,942	6,096	86.4	90.3
Southeastern Library Network		107,289		89,309		10,820		89.2
State University of New York		240,984		195,196		19,388		91.0
Total	1,194,287	2,555,055	778,975	1,686,871	185,560	304,527		
Average							80.8	84.7

Table 1: Titles cataloged in 1973/74 and 1974/75

	Copies of Books Cataloged		Chargeable First-Time Uses of Records	
	1973/74	1974/75	1973/74	1974/75
July	58,853	142,070	34,145	91,945
August	67,235	125,947	45,674	83,107
September	65,438	148,419	44,217	97,873
October	90,708	177,452	62,512	113,492
November	91,863	166,725	62,078	105,179
December	81,528	154,233	54,332	100,237
January	109,445	207,433	72,172	137,434
February	112,573	212,820	73,969	139,305
March	121,718	286,805	78,841	189,428
April	130,501	312,129	83,019	208,031
May	139,642	281,984	88,690	194,294
June	124,843	325,427	75,388	223,244

Table 2: Month-by-month increase in cataloging activity

the hours from 9:00 a.m. to 3:00 p.m, yeilding an average of 6.5 messages received per second.

ACCOMPLISHMENTS

Table 1 records by participating regions the number of books cataloged, the number of chargeable first-time uses, the number of cataloging records input into the on-line catalog, and the percent of cataloging that used existing records; the Higher Education Coordinating Council of Metropolitan St. Louis, Illinois Research and Reference Center Libraries, Southeastern Library Network, and State University of New York participated in the network for only part of the year. The numbers in the first pair of columns of each row is not the sum of the second and third pairs, because the second pair of columns records only the first time an existing record, not input by the cataloging library, was employed for catalog production. Also, the last pair of columns was calculated by dividing the number of chargeable first-time uses by the total number of first-time uses, a figure not included in the Table.

	4 July 1974		3 July 1975	
On-line union catalog holdings locations	2,575,568		5,307,642	
Catalog records in system	935,314		1,420,755	
Source of records:				
Participating libraries	521,797	(55.8%)	923,545	(65.0%)
Used for catalog production by non-source libraries	166,426	(32.0%)	386,202	(41.8%)
Library of Congress	413,517	(44.2%)	494,419	(34.8%)
Used for catalog production	207,387	(50.2%)	305,672	(61.8%)
Average usage per record by other than source library:				
Records input by participating libraries	3.63		4.52	
Library of Congress	5.80		8.28	
Date of publication:				
Before 1800				
Participating libraries	16,726		43,286	
Library of Congress	365		469	
Total	17,091		43,755	
1800-1899				
Participating libraries	34,174		60,797	
Library of Congress	1,022		1,296	
Total	35,196		62,093	
1900-1967				
Participating libraries	307,848		505,338	
Library of Congress	63,333		84,401	
Total	371,181		589,739	
1968-date				
Participating libraries	162,590		316,348	
Library of Congress	348,572		407,932	
Total	511,162		724,280	

Table 3: Analysis of on-line catalog record file

Table 2 shows the monthly increase in cataloging activity and reveals that during the year the amount of cataloging per month more than doubled, as was the case last year. Although income from first-time-use charges was $1,956,981, income from first-time-use charges in June was at the annual rate of over $2,600,000.

Table 3 contains an analysis of the on-line catalog at the end of the last two years. As was the case last year, the most important observation to be made from this Table is the continued increase in economy of scale experienced by participating libraries. During 1974/75, use for catalog production by non-source libraries of records input by other libraries rose from 32.0% to 41.8%, a 30.6% rise in rate of utilization as compared with 29.6% last year, while usage of MARC II records from the Library of Congress rose from 50.2% to 61.8%, a 23.1% increase as compared with 20.4% last year. The average usage of records input by participating libraries for catalog production by other than the source library climbed from 3.63 to 4.52 uses per record, a 24.5% increase being nearly the same as last year, but the average usage of MARC II records mounted from 5.80 to 8.28, an increase of 50.5% as compared with 27.6% last year. These continuing increases in rates of utilization of records for catalog production clearly show that participants in the OCLC network are increasing productivity, thereby decelerating the rate of rise of per-unit cataloging costs.

Participating libraries added 200,555 cataloging records to the on-line catalog in 1973/74 and 401,748 in 1974/75; during each of these two years the Center also added to its on-line file 82,645 and 80,902 MARC II records from the Library of Congress. The OCLC participating libraries have become the major producers of machine readable cataloging. Moreover, an analysis of records input by participating libraries revealed that 57.3% of the input records represent Library of Congress cataloging converted to machine readable form.

Operations and Activities

During the year the Library Systems Division deleted over one thousand duplicate records from the on-line catalog, and upgraded over two thousand records to represent Library of Congress cataloging. Division staff corrected 4890 individual errors in records input by participating libraries, and forwarded approximately 1800 error reports in MARC II records to the Library of Congress.

The Library Systems Division compiled catalog profile

and pack definition tables for 84 new participating institutions, and received catalog profile and pack definition tables for 262 new institutions from network centers. The Division also effected over 500 individual changes in these tables after the tables became operational. In connection with implementing new institutions, the Division trained 24 library staffs and personnel in five network centers.

Library Systems staff participated in demonstrations at exhibits at six national and state meetings, as well as giving demonstrations of the system to over thirty groups of visitors at the Center. Staff members of the Library Systems Division and Research and Development Division visited 21 Ohio libraries to improve rapport between Ohio members and the Center, and to acquaint programmers with library operations.

The Library Systems Division conducts advisory committee meetings for the Center, and during the year there were 21 such meetings. The Division also participated in 22 conferences and workshops.

The Computer Facilities Division was organized in November 1974, and it and its predecessors are responsible for the production recorded in Tables 1,2, and 3. The Division is also responsible for catalog card output and has resolved some of the problems generated by the production of over 100,000 cards daily by developing new multiple suppliers of catalog card stock having acceptable quality control. New and improved slitting, card handling, and printing equipment is on order and will be installed early next year. The Division will also add additional supervisory staff to the card production group.

Response time on the network increased in the last months of 1974 and in January and February 1975 due to the delay in the receipt of the first Sigma 9 computer. By February the degradation in the response time was in excess of an average of 20 seconds, an unacceptably long period. After the installation of the Sigma 9 computer in late February, the response time was reduced to less than seven seconds and was maintained at acceptable levels throughout the remainder of the fiscal year by continual fine tuning of the system, although there was an ever-mounting burden on the system as shown in Table 2. If the Center could maintain its integrated schedules, response time will be maintained at an acceptable level, but the delay in the availability of a new machine room will almost certainly cause another short-term degradation.

During the first half of the year, the programming of pack definition tables developed a major backlog that delayed implementation of new institutions into the on-line system. The Division revised and improved its procedures and programs to allow for more efficient use of personnel and computer resources; as a result, staffing requirements have dropped from five full-time maintenance programmers assigned to pack definition table programming to one and a half programmers.

Subsequent to establishment of the Computer Facilities Division, the Division assumed responsibility for maintenance of operational programs, and by the end of the year was maintaining most such programs with the expectation that it would assume entire responsibility during the first half of the next year. The transfer of program maintenance responsibility from the Research and Development Division to the Computer Facilities Division has freed the programming staff in Research and Development of these duties and has enabled them to devote full-time to other responsibilities.

The Division has implemented new procedures that have reduced the number of unnecessary visits by terminal servicemen, and has assured the successful solution of terminal problems at the time of the first site visit by ensuring that the terminal serviceman has the necessary spare parts when he makes his visit. Engineering personnel in the Division analyze terminal problems prior to the site visit and impose strict control and reporting procedures for field servicemen. Field inventories of terminal spare parts were not at acceptable levels at the end of the year, but the Division had already taken action to assure an acceptable level of spares by the end of the first quarter of 1975/76. Moreover, the Engineering Department of the Division has done an extensive analysis of types of failures in terminals so that it is possible now to maintain improved availability of spare parts with reduced capital expenditures. The Engineering Department has also established a repair facility that not only improves the availability of spares, but also reduces cost of repair.

The Division has been working more and more closely with AT&T Long Lines Division so that availability of communication equipment has improved with untoward delays being nearly eliminated. The Engineering Department has reconfigured sections of the network and, with a few exceptions, has succeeded in greatly improving service with a concomitant benefit of reduced telephone charges.

In early spring, the Division made a major improvement

in the on-line service by implementing a hardware system that has dual redundancy with the exception of on-line catalog equipment elements, thereby eliminating periods of extended downtime not related to on-line catalog equipment failure. Implementation of full multiple redundancy will be achieved by the end of 1976.

During the year the Administration and Finance Division negotiated several important contracts. Spiras Systems, Inc. ceased doing business in the early part of the fiscal year, and at that time the Center had an outstanding lease-with-option-to-purchase contract with USM Financial Corporation for 80 Spiras terminals and a continuing requirement for spare parts to service the Spiras terminals located in Ohio member institutions and the NELINET libraries in New England. The Center was able to close out the contract with the assistance of NELINET officials by purchasing a large complement of spare parts at an overall savings of about two hundred thousand dollars.

The Center negotiated a new terminal purchase agreement with Beehive Medical Electronics, Inc. for 1,125 Model 100 Displays. This was a favorable agreement for participants and purchasers of this terminal, because the price of the terminal was fixed throughout an 18-month period of inflating prices; the Center will renegotiate the contract early in the 1976/77 fiscal year.

A new agreement was consumated with Syntonic Technology, Inc. for servicing of cathode ray tube terminals. The essence of the agreement is the purchase of 3000 service calls.

Long-term purchase agreements were consumated with the Xerox Corporation for three Sigma 9 computers at favorable educational discounts and interest rates, thereby saving network participants thousands of dollars over the life of these contracts. Another contract with Xerox assures the Center of an adequate supply of spare parts.

At the end of last year the Center received $18,867 in LSCA Title III funds from the State Library of Ohio to make possible the use of terminals in library public service areas to observe whether or not such terminals would be useful to library users for remote access to the OCLC on-line catalog. The Center placed terminals in four academic libraries, two public libraries, and the State Library. Public use and evaluation of that use began in January; observation will end in October 1975. The Research and Development Division has produced a computer program to monitor the use of these terminals,

and a questionnaire is being employed to elicit user reaction.

New Functions

Although the Research and Development Division was forced to devote a great deal of its effort to maintenance of existing software and to extension and improvement of that software, it made significant achievements through implementation of a variety of enhancements to the on-line system. In January, the Division installed the initial version of the serials check-in component of the serials control subsystem. The complete conversion of the check-in component will not be available until the end of 1976. Installation of this new component was a major step for the Research and Development staff, because it was the first new and distinct subsystem to be developed and implemented since the on-line union catalog and shared cataloging subsystem was installed in 1971.

The Division carried out another major effort to convert various serials data bases for inclusion in the on-line catalog. Several machine readable files were studied and two were being processed at the close of the Report year, namely the Pittsburgh Regional Library Center's serials file and the Minnesota Union list of Serials.

In the autumn the Division initiated the development of programs to give the on-line system the capability of remotely printing spine labels, book card labels, and book pocket labels. The Division successfully completed this project in the spring and installed the new programs.

In late winter the Division added four important new functions in the form of additional accesses to the on-line catalog, namely personal author, ISBN, ISSN, and CODEN. The Division had expected to index corporate names at that time, but it was necessary to defer implementation of a corporate name index following the discovery that there were too many excessively long chains of keys derived from corporate names. At the close of the Report period, work was nearing completion on the development of a small stoplist that would make possible the indexing of corporate names using the same key structure as that for personal names.

The Division redesigned the SAVE file function and implemented the new design in early spring, thereby enabling participating libraries to temporarily store up to 100 records instead of the approximate 30 or 40 that was the previous limit.

The Division developed and implemented the NEW command

to reduce the likelihood of entry of duplicate records into the on-line catalog. This new facility makes it possible for a terminal operator to create a new record from an existing record by calling up an existing record, typing the command "NEW", making whatever changes are desired in the record, and then using the edited record for catalog production.

On 17 December 1974, the Center signed an agreement with the Council on Library Resources that provided the CONSER (conversion of serials) Project managed by the Council with use of OCLC's computer system over the following two years. The negotiations that led to this agreement were somewhat protracted in part because of the Center's concern over the provision for distribution of the "CONSER file" at the end of the Project, and in part because of the unavailability of the "Agreed-Upon-Practices" which were to define the responsibilities of the various parties involved in the Project. Subsequent to the signing of the agreement, the staff of the Council has frequently insisted that OCLC execute programming activity not provided for in the agreement. As a result the implementation of the CONSER Project has been considerably delayed.

The Research and Development Division has undertaken several new projects of a long-range nature, including development of the acquisitions subsystem; development under contractual relationship with the Battelle Memorial Institute of a powerful on-line search and retrieval system employing subject headings, truncated words in subject headings, truncated words in author entries and title entries, language, and imprint date; redesign and reimplementation of the catalog card production system; design of an on-line authority record system; and development of a subsystem for requesting interlibrary loans employing the OCLC network.

The Research and Development Division also initiated and completed a myriad of improvements in the on-line system, most of which were not directly apparent to users, but all of which improved system performance.

Building Project

In June 1974 the Center launched a building project with the Administration and Finance Division undertaking to find or build an adequate facility for the Center's operations. At the time, the Center was in three locations: The Ohio State University Research Center on Kinnear Road; and five miles north in two separate office buildings, which housed the majority of the staff. Subsequently, in March 1975 the

Center leased additional computer space and office facilities in still another location. This method of providing for growth was wholey inadequate.

The Administration and Finance Division working with the Building Subcommittee of the Board of Trustees and with consultants drew up a list of criteria containing 15 major elements ranging from the most important - security, telecommunication, and electric power availability - to lesser points. Using these site criteria, the Division staff investigated and evaluated more than 25 locations, some having existing structures and others being unimproved parcels of land. After the staff had prepared preliminary specifications for the facility, the Center asked owners and contractors to submit proposals for building or remodeling. These proposals were thoroughly evaluated, and the list brought down to two sites: one with an existing structure; and one vacant parcel.

For a variety of reasons the vacant parcel in the City of Upper Arlington was selected and the Board of Trustees approved its acquisition. Next the Center sought to obtain purchase options on the property, to obtain preliminary design of a structure, and to find appropriate financing. By the end of September 1974, options on the property had been obtained, a preliminary design of the structure had been completed, and the City of Upper Arlington had granted zoning approval. Up until this time it was still thought that the new structure could be available in the spring of 1975, and scheduling of the Center's operations and growth had been based on the availability of at least a new machine room at that time.

The staff with the assistance of an architect and a contractor attempted to locate appropriate construction and long-term financing. The search for financing took place when the national economy was short of capital. This situation coupled with the Center's short life span and overall financial condition made financing extremely difficult. The Center finally obtained tenative commitments for both the construction and the long-term loans based upon preliminary cost figures. From September through November 1974, the time consuming task of detailed building design and constant refinement of costs were taking place. In December the Center purchased the property.

Initial cost studies showed that the structure could be built for about 2.5 million dollars, but as the architect and contractor further refined the plans, the costs increased until in March 1975 the cost was approaching four million

dollars. At this juncture the Center staff, The Board of Trustees, and the lending sources agreed that this sum was too large a debt for the Center to undertake at this time. In addition, the long delays in the scheduled availability of a new computer room were greatly increasing the urgency for obtaining a new structure.

In April 1975 the Center staff recommended and the Board of Trustees approved the acquisition of an existing facility on Kinnear Road that could be purchased and remodeled to house the Center's operations, but which, unfortunately, could not fulfill all of the criteria, including some of the most important criteria. The cost of the facility was 1.3 million dollars, and remodeling was estimated at one million. The Center purchased the property early in July 1975. Remodeling will be completed in October 1975, and the facility will be fully occupied in November. In spite of dollar restrictions that imposed compromises on the initial building concept, the Kinnear Road facility will consolidate the Center's operations at a single site, and will make possible a far more secure and stable operation of the network.

PLANNING

To maintain viability, the Ohio College Library Center must grow at a minimum with the growth of requests for participation in the OCLC system. In general, an organization must grow with the minimum growth of the market, and maintenance of such growth usually involves market studies, aggressive development of new customers, and aggressive selling. From this viewpoint OCLC is undergoing a passive but rapid growth, and one of its major plans is to increase its facilities to keep abreast of that growth.

The current requests for participation are, of course, for participation in the on-line union catalog and shared cataloging activity, but the Center plans to add five additional functions; 1) serials control, 2) an acquisitions system, 3) an on-line interlibrary loan request system, 4) retrieval by subject, and 5) remote catalog access and circulation control. The members adopted this overall plan at the first Annual Meeting on 25 October 1967. At the end of the year the first four of these systems were under development, and the Center had partially implemented the serials control system. It is pleasant to report that now all but one major segment of the 1967 plan has been converted to a schedule for development and implementation and, for some systems, operation.

On-line serials check-in will be available for checking-in of 1976 issues. Acquisitions will be implemented in spring 1976, interlibrary loan requesting in summer 1976, and subject retrieval in early 1976. Following implementation for these three systems, there will be periods of various lengths for testing and checking and, if necessary, increasing facilities before making the systems generally available to participants.

Expansion of the on-line union catalog and shared cataloging system increases demands on all of the Center's Divisions, but the most severe demands are placed on the Computer Facilities Division. The increased load brought about by increased expansion of the on-line union catalog and shared cataloging system is predictable, and scheduling can control growth, providing elements not under the Center's control do not disrupt schedules.

The Computer Facilities Division has designed an equipment system architecture, and about half the essential components of this system are presently in one of the Center's four buildings with a quarter of the components on order, and with the acquisition of the fourth quarter of components being discussed with vendors. The new system architecture will support an excess of three thousand terminals performing present functions. Multiple and full redundancy will assure maximum system availability and user productivity with only minor degradation of service during periods of heavy loads. The new system makes use of a unique arrangement of four independent and parallel access routes to the on-line catalog to enable true parallel transaction processing and elimination of inefficiencies.

ORGANIZATION

Last year's Annual Report pointed out three major characteristics of the Center foreign to most organizational planning: 1) its computer base; 2) rapid growth; and 3) its being a not-for-profit corporation. The Report further stated that the Center was searching for outside assistance in developing an organizational plan for the distant future, and during the present year under review the Center retained Haskins & Sells to make such a study. In general, Haskins & Sells found that, "OCLC's basic organization structure divides activities into functional groupings which appear logical, and which should be expandable to support future growth", but Haskins & Sells also had many recommendations to be followed at the earliest possible moment for the effective management of growth. The Center intends to invoke these

recommendations in spirit, if not always to the exact letter, and, of course, within budgetary restrictions.

Haskins & Sells conducted its review in the spring so that it examined a new organization that the Center effected in November 1974 that established five major organizational units: 1) Executive Director's office; 2) Library Systems Division; 3) Computer Facilities Division; 4) Research and Development Division; and 5) Administration and Finance Division. The Library Systems Division contains a Cataloging and Quality Control Department and a Library Systems Analysis Department. The Computer Facilities Division has an Engineering Department, a Data Processing Department, and a Systems Department. The Research and Development Division has an Information Systems Department and a Systems Development Department. The Administration and Finance Division had only a few staff members at the time of the reorganization and was not departmentalized, and its subsequent growth, restricted by budgetary limitations, has not yet built the Division to a size requiring departmentalization. However, plans call for an Accounting Department, a Personnel and Office Services Department, an Administrative Systems and Procedures Department, and a Purchasing Department.

At the Annual Meeting on 8 November 1974, the Representatives elected to the Board of Trustees William Chait of the Dayton and Montgomery County Public Library, James V. Jones of Case Western Reserve University, and Robert A. Jones of the College of Wooster. In the Board meeting immediately following the Annual Meeting the Trustees elected as officers: James V. Jones of Case Western Reserve University, Chairman and President; H. Paul Schrank of the University of Akron, Vice-chairman; Richard J. Owen now at Youngstown State University, Treasurer; and Thompson M. Little of Ohio University, Secretary.

Fourteen new members joined OCLC bringing the membership to 78 Ohio institutions: Baldwin-Wallace College, Battelle Memorial Institute, Burton Public Library, Cleveland Heights-University Heights Public Library, Cleveland Public Library, Columbus Technical Institute, Lima Public Library, Lorain Public Library, Methodist Theological School, Mount Vernon Nazarene College, Riverside Methodist Hospital, Stark County District Library, University of Cincinnati Medical Library, and University of Toledo Law Library.

New regional groups joining the network were: the Higher Education Coordinating Council of Metropolitan St. Louis, Illinois Research and Reference Center Libraries,

Southeastern Library Network, and State University of New York. In addition, seven independent institutions not affiliated with regional centers began to participate in the network. In all, there were 411 participating institutions at the end of June.

FINANCES

The Center's Financial Statements for the year ended 30 June 1975 and Haskins & Sells' opinion on their examination of these Statements are appended to this Annual Report. The assets of the Center had risen from $1,713,704 to $4,193,900 at the end of the year.

The Center ended the year with an excess of $30,211 in revenues over expenses. Total revenues were $3,017,378, an increase of almost 105% over the previous year, while expenses were $2,987,167, an increase of more than 130%. The higher rate of expenses was due primarily to expenditures in two categories: 1) for professional services for architect, engineer, real estate agent, attorney, and loan commitment fees in connection with the building project; and 2) for consultation fees for a technical audit of the Center's hardware and software system, a possible fund raising program, a review of the Center's organizational structure, computer programming for a mini-computer front-end communication system, a computerized management monitoring system, and the BASIS subject search system. Most of these expenses, which were not included in the original 1974/75 Budget, are non-recurring. The Center established a special budget category for this type of expense in the 1975/76 Budget.

The figures and ratios in the appended Balance Sheet illustrate the Center's continuing shortage of working capital; the relationship of current assets to current liabilities is a major concern. At 30 June 1975, this shortage amounted to $997,659, the ratio of current assets to current liabilities being .64:1 compared with .69:1 at 30 June 1974. Working capital is the money needed to operate an organization, and insufficient working capital more often causes the demise of organizations than any other factor. The decrease in the ratio of OCLC's current assets to current liabilities from 1973/74 to 1974/75 is therefore a supreme concern. (Because of the severity of the situation, the Board of Trustees at its September 1975 Meeting voted to increase the basic first-time-use charge by 10¢ for 1976/77 to generate working capital, and thereby established the policy that the Center will obtain its working capital from its earnings.)

The Center's financial position results from national economic trends in general and the Center's history of undercapitalization in particular. Initially, the Center was able to obtain financing for capital equipment from vendors when it became clear in the early stages of the Center's development that Ohio members alone could not produce the one and a quarter million dollars needed to capitalize OCLC's equipment. Subsequently, short-term capital loans and long-term capital equipment loans were readily available to OCLC. Present economic predictions are that capital will become increasingly scarce in the decade ahead.

Heretofore, the Center has offered its computer services at such low prices that it was unable to earn adequate working capital. The scarcity of external sources of capital places the Center in the same situation as other organizations in that the Center's revenues must not only meet but exceed expenditures to provide savings to be used for capitalization.

The Board of Trustees established several new charges. In the spring of 1974 the Board established a charge of one-half the regular first-time-use charge for existing records to produce catalog cards for reclassified titles. In the present year the Board approved charges for serials check-in and for searching from public service terminals; institutions paying annually in advance will receive a six percent discount. The Board set a gross charge of 8¢ for each issue of a journal checked-in in an Ohio library, and 3.4¢ for libraries that have purchased terminals and pay for telephone lines. The Board set the charge for search-key searches on public use terminals at 2.2¢ per search-key search with a maximum annual charge per terminal of $2,280. The Board also stipulated that institutions must purchase public use terminals.

Previous Annual Reports have pointed out that the Budget plan for the Ohio College Library Center is not a request for funds to be allocated as is the case in participating libraries; rather, the OCLC budget is a plan using financial notation demonstrating that if the plan is implemented there will be an excess of income over expenses. The objective of the budgetary plan for 1975/76 presented to the Board of Trustees was to enable OCLC to attain its substantive objectives, to continue its growth, and to improve its financial position by earning at least some working capital.

The Board approved a budget plan for 1975/76 in the amount of $10,456,000 including grant funds supporting research and development. Estimated revenues will be: system usage charges $4,023,000, terminal related charges $3,201,000,

telephone charge reimbursement $1,745,000, catalog card production $1,020,000, grant funds $265,000, and other income of $120,000. The gross basic first-time-use charge (excluding cost of telecommunications, terminal cost and terminal service) will increase from $.904 to $1.024 for next year; the net inclusive first-time-use charge for Ohio members will go from $1.69 to $1.81, an increase of 7.1%.

In June the State Library of Ohio awarded the Center a grant in the amount of $56,000 to be expended during the next two years for the purchase of terminals allocated to Ohio libraries. The grant will enable the Center to reduce the terminal cost element in the Ohio first-time-use charge by 5 cents. Hence, the actual net Ohio first-time-use charge for 1975/76 will be $1.76.

The Research and Development Division was successful in obtaining a grant of $124,250 from the Council on Library Resources to assist in the design of on-line authority files, components of the on-line acquisitions subsystem, and the subject search project. In addition the Division won an award of $108,575 from the Office of Education for the development of the interlibrary loan communication subsystem.

Respectfully submitted,

Frederick G. Kilgour

Frederick G. Kilgour
Executive Director

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

250 EAST BROAD STREET
COLUMBUS, OHIO 43215

AUDITORS' OPINION

To the Board of Trustees of
The Ohio College Library Center:

We have examined the balance sheet of The Ohio College Library Center as of June 30, 1975 and 1974 and the related statements of revenues, expenses, and fund balance and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Center at June 30, 1975 and 1974 and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination also comprehended the supplemental schedule of cost reimbursement grants for the year ended June 30, 1975 and, in our opinion, such supplemental schedule presents fairly in all material respects the information shown therein.

Haskins & Sells

September 18, 1975

THE OHIO COLLEGE LIBRARY CENTER

BALANCE SHEET, JUNE 30, 1975 AND 1974

	JUNE 30 1975	JUNE 30 1974
A S S E T S		
CURRENT ASSETS:		
Cash (including time deposits, 1975 - $108,860)	$ 194,838	$ 22,549
Receivables:		
Library fees:		
Members	34,231	98,149
Others	132,503	64,264
Catalog card production	126,723	56,950
Terminals and terminal installation charges	112,288	47,127
Telecommunication reimbursement (Note 7)	122,331	42,274
Grant funds - net (Note 1)		8,623
Other	23,800	
Inventories (Notes 1 and 2)	519,703	171,930
Prepaid expenses	11,031	17,657
Land held for resale (Note 4)	454,165	
Total current assets	1,731,613	529,523
PROPERTY - At cost, less accumulated depreciation (1975 - $621,871; 1974 - $275,939)(Notes 1, 3, and 5)	2,462,287	1,184,181
TOTAL	$4,193,900	$1,713,704
L I A B I L I T I E S		
CURRENT LIABILITIES:		
Notes payable - bank (Note 4)	$ 750,000	$ 170,000
Current portion of long-term debt	267,777	313,308
Accounts payable:		
Terminals	265,356	47,256
Other	495,252	141,668
Other current liabilities	12,156	6,585
Advance payments:		
Library fees:		
Members	122,886	67,684
Others	568,285	18,279
Terminals	242,051	
Grant funds received in advance (Note 1)	5,509	
Total current liabilities	2,729,272	764,780
LONG-TERM DEBT - Less current portion (Note 5)	1,106,196	620,703
COMMITMENTS (Note 7)		
FUND BALANCE (Note 1)	358,432	328,221
TOTAL	$4,193,900	$1,713,704

See Notes to Financial Statements

THE OHIO COLLEGE LIBRARY CENTER

STATEMENT OF REVENUES, EXPENSES, AND FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

	..YEAR ENDED JUNE 30.. 1975	1974
REVENUES:		
Fees:		
Member libraries	$ 743,651	$ 707,210
Other libraries	1,213,330	383,438
Catalog card production	607,941	295,746
Terminal sales, less related purchase costs (1975 - $1,107,091; 1974 - $327,194)	220,987	39,626
Other terminal charges	177,532	38,830
Interest income	6,265	9,550
Other income	47,672	
Total revenues	3,017,378	1,474,400
EXPENSES:		
Staff:		
Salaries and wages	884,990	387,064
Employee benefits (Note 1)	58,123	25,878
Payroll taxes	54,918	24,666
Employment fees	16,635	7,181
Rentals:		
Data processing equipment	30,508	29,234
Telecommunications facilities (Note 7)	198,348	119,074
Office facilities and equipment	103,254	56,597
Depreciation (Note 1)	377,102	215,483
Operations:		
Catalog cards and data processing supplies	270,273	127,758
Maintenance - computer equipment	110,272	31,288
Maintenance - terminals	171,292	55,937
Printing and duplicating	34,102	13,512
Administrative:		
Telephone	93,104	48,436
Legal and accounting	55,107	21,940
Travel	67,754	20,607
Office supplies and expense	56,208	19,748
Dues and subscriptions	9,648	6,055
Other	32,788	7,618
Interest (Note 4)	190,298	75,192
Special project costs (Note 6)	172,443	
Total expenses	2,987,167	1,293,268
EXCESS OF REVENUES OVER EXPENSES	30,211	181,132
FUND BALANCE - Beginning of year	328,221	147,089
FUND BALANCE - End of year (Note 1)	$ 358,432	$ 328,221

See Notes to Financial Statements

THE OHIO COLLEGE LIBRARY CENTER

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

	..YEAR ENDED JUNE 30.. 1975	1974
SOURCE OF FUNDS:		
Operations:		
Excess of revenues over expenses	$ 30,211	$ 181,132
Expense not requiring working capital - depreciation	377,102	215,483
Working capital provided by operations	407,313	396,615
Proceeds from long-term debt	848,535	108,659
Decrease in working capital	762,402	43,379
TOTAL	$ 2,018,250	$ 548,653
APPLICATION OF FUNDS:		
Property additions - net of disposals	1,655,208	306,338
Payments on long-term debt	363,042	242,315
TOTAL	$ 2,018,250	$ 548,653
DECREASE IN WORKING CAPITAL REPRESENTED BY:		
(Increase) decrease in current assets:		
Cash	$ (172,289)	$ 144,427
Receivables	(234,489)	(256,473)
Inventories	(347,773)	(169,527)
Prepaid expenses	6,626	290
Land held for resale	(454,165)	
Total	(1,202,090)	(281,283)
Increase (decrease) in current liabilities:		
Notes payable - bank	580,000	170,000
Current portion of long-term debt	(45,531)	67,338
Accounts payable	571,684	104,351
Other current liabilities	5,571	(2,595)
Advance payments - fees, etc	847,259	1,407
Grant funds received in advance	5,509	(15,839)
Total	1,964,492	324,662
Decrease in working capital	$ 762,402	$ 43,379

See Notes to Financial Statements

THE OHIO COLLEGE LIBRARY CENTER

NOTES TO FINANCIAL STATEMENTS

1. POLICIES AND PROCEDURES

General - The Ohio College Library Center (the "Center") is a non-profit corporation organized to establish and operate a national, computerized network of bibliographic, cataloging services for libraries. Center earnings may not be distributed to the members. In the event of dissolution, the Board of Trustees is to adopt such plan for distribution of remaining assets as is consistent with the purposes of the Corporation. The Center's members, primarily academic institutions in Ohio, are charged annual fees based generally on their book cataloging volume. The Center also provides services to libraries outside Ohio on a contract basis.

Cost Reimbursement Grants - The Center has received various cost reimbursement grants for research and development. These grants and related costs are not included in the statement of revenues, expenses, and fund balance since all covered costs are reimbursed by the grantors.

Inventories - All inventories are valued at cost (not in excess of market), primarily using the first-in, first-out method of valuation.

Depreciation - Depreciation is provided using the straight-line method at rates based on the estimated useful lives of the property (three to ten years).

Federal Income Tax - The Center has obtained tax exempt status under the appropriate section of the Internal Revenue Code and, accordingly, no provision for Federal income tax has been made.

Pension Plan - The Center has a non-contributory, defined-contribution, pension plan covering all full-time employees who have completed two years service with the Center. Pension contributions are used to purchase annuities on the individual participants' lives. Pension costs (included in employee benefits expenses) are $32,201 and $13,262 for fiscal years 1975 and 1974, respectively.

Prior Year Financial Statements - Certain amounts in the financial statements for the year ended June 30, 1974 have been reclassified to conform with the presentation for the year ended June 30, 1975. These reclassifications had no effect on the excess of revenues over expenses or the fund balance.

(Continued) - 1

2. INVENTORIES

Inventories at June 30, 1975 and 1974 are summarized by major classifications as follows:

	1975	1974
Terminals	$261,647	$ 40,595
Terminal parts	237,406	128,932
Catalog cards	20,650	2,403
Total	$519,703	$171,390

3. PROPERTY

Property and equipment at June 30, 1975 and 1974 are summarized by major classifications as follows:

	1975	1974
Computer equipment	$2,254,536	$1,019,709
Terminals	642,239	363,372
Office furniture and equipment	86,716	55,552
Office improvements	38,167	19,487
Deferred financing fee - building (Note 7)	62,500	
Property - at cost	3,084,158	1,458,120
Accumulated depreciation	621,871	273,939
Property - net	$2,462,287	$1,184,181

4. NOTES PAYABLE - BANK

Notes payable to a bank at June 30, 1975 and 1974 consist of the following:

	June 30	
	1975	1974
Unsecured, 9-1/2%	$300,000	$170,000
Mortgage loan, prime plus 2%	450,000	
Total	$750,000	$170,000

The unsecured note ($300,000 at June 30, 1975) is due July 9, 1975 (renewed to October 8, 1975 for $150,000 at 9-1/2%).

The mortgage loan is due December 31, 1975 and is collateralized by approximately six acres of commercially-zoned land (cost - $454,165) which was purchased as a construction site for a new building. On July 2, 1975 (See Note 7) the Center acquired an existing facility and, accordingly, intends to sell the land during the next year. Therefore, the land has been classified as a current asset. The interest on the mortgage loan ($23,403) has been expensed for the year ended June 30, 1975.

(Continued) - 2

5. LONG-TERM DEBT

Long-term debt at June 30, 1975 and 1974 consists of the following:

	June 30 1975	June 30 1974
Notes payable:		
Bank, 8-1/2%, collateralized by miscellaneous computer equipment (cost $112,755) due in monthly installments of $2,349 (plus interest) to 1976	$ 43,315	$ 71,503
Other		19,560
Purchase lease contracts payable:		
6%, collateralized by a computer (cost $582,889), due in monthly installments of $8,510 (including interest) to 1980	427,722	530,023
10%, collateralized by computer terminals (paid in full January 31, 1975)		152,833
11%, collateralized by computer equipment (cost $182,703) due in monthly installments of $5,481 (including interest) to 1977	106,732	160,092
6%, collateralized by computer and peripheral equipment (cost $848,535) due in monthly installments of $12,400 (including interest) to 1982	796,204	
Total	1,373,973	934,011
Less current portion	267,777	313,308
Long-term portion	$1,106,196	$620,703

The Center intends to purchase the leased equipment which is collateral for the purchase contracts payable and, accordingly this equipment has been capitalized for financial accounting purposes.

The aggregate maturities of the long-term debt at June 30, 1975 are as follows:

Fiscal year ending June 30:	
1976	$ 267,777
1977	256,361
1978	204,662
1979	217,474
1980 and later	427,699
TOTAL	$1,373,973

(Continued) - 3

6. SPECIAL PROJECT COSTS

During the year ended June 30, 1975, the Center expensed non-recurring professional services related to the following special projects:

Preliminary survey, design, and feasibility studies for proposed building site (Note 4)	$ 99,958
Fund-raising study	13,160
Computer technical audit	12,800
Management and organizational development review	17,525
Subject-Search program development	24,000
File search-key efficiency study	5,000
Total	$172,443

7. LEASES AND PURCHASE COMMITMENTS

The Center leases long-line telephone service and certain peripheral communications equipment on a month-to-month basis. For these services the Center expects to incur net rental expense (after reimbursement from certain libraries) of approximately $400,000 during the fiscal year ending June 30, 1976. Net telecommunication rentals were $198,348 and $119,074 (after reimbursements of $426,744 and $147,938 for fiscal 1975 and 1974, respectively).

The Center has outstanding purchase commitments which have the following estimated cost:

Seven hundred and seventy-three terminals (principally for resale)	$2,250,000
Three computers (payable in 84 monthly installments of approximately $47,000 including interest at 6% - 10%, commencing the month following installation)	3,063,000
Additional peripheral computer equipment ($200,456 due September 1975 and the balance payable in 52 monthly installments of approximately $14,500 including interest at 6%, commencing in October 1975)	753,000
Total estimated cost	$6,066,000

On July 2, 1975, the Center purchased land and buildings (cost - $1,300,000) to be used for office and computer operations facilities. The Center is committed to approximately $1,000,000 of building improvements and construction costs (estimated completion, October 1975), and has obtained a commitment for a $1,800,000 permanent mortgage loan on these facilities. The mortgage loan will bear interest at 11-1/2% per annum and will be payable in equal monthly installments of $18,300 (principal and interest) over 25 years beginning in early 1976. Fees paid to the lender ($62,500) to obtain the financing commitment are included in property and will be amortized over the life of the permanent loan.

(Concluded) - 4

THE OHIO COLLEGE LIBRARY CENTER

COST REIMBURSEMENT GRANTS
FOR THE YEAR ENDED JUNE 30, 1975

	COUNCIL ON LIBRARY ...RESOURCES, INC... Completed	In Process	LIBRARY OF CONGRESS	TOTAL
GRANT FUNDS RECEIVABLE AT JUNE 30, 1974.....	$ 517		$ 8,106	$ 8,623
COSTS INCURRED:				
Salaries.....	21,294	$14,675	12,894	48,863
Payroll taxes.....		816		816
Travel.....	1,268			1,268
Printing.....	852			852
Data set installation.....	69			69
Other.....		24,000		24,000
Total.....	3,483	39,491	12,894	75,868
TOTAL - Receivable and reimbursable costs.....	24,000	39,491	21,000	84,491
GRANT FUNDS RECEIVED DURING THE YEAR.....	24,000	45,000	21,000	90,000
GRANT FUNDS RECEIVED IN ADVANCE AT JUNE 30, 1975...	$ -0-	$ 5,509	$ -0-	$ 5,509